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July 17, 2025

INCLUSIONARY HOUSING PROGRAM ANNUAL REPORT: FY 2024

This document serves as an annual report on Inclusionary Housing Program activities for FY 2024 (July 1, 2023-June 30, 2024). While an annual report for the Inclusionary Housing Program is not required by the Ordinance, it is considered a best practice to regularly document the activities of any program. This report was drafted by the Inclusionary Housing Program Specialist.

Background

Somerville's Inclusionary Housing Program remains one of the most robust, among communities in the Greater Boston area. Initiated in 1990, the Inclusionary Housing Program creates affordable housing by means of the Somerville Zoning Ordinance's guidelines for multi-family market rate developments. Development standards have changed since the program's inception and currently, 20% of all units in most developments of 4+ units must be affordable.

Inclusionary units in developments subject to those requirements in Somerville's Zoning Ordinance (SZO) are also required to be comparable in terms of features, finishes, and amenities to market rate units in the project. These designated units, as well as their approximate sizes, affordability levels, access to amenities and more are memorialized in an Affordable Housing Implementation Plan (AHIP) and an Affordable Housing Restriction, which is recorded at the Middlesex Registry of Deeds

The Inclusionary Program currently prescribes four (4) affordability levels, which are described as percentages of the Median Family Income in the Boston-Cambridge-Quincy Metropolitan Area. They are often referred to as "limits" of Area Median Income (AMI) and represent the maximum annual income for a household to be eligible for a given unit. The Inclusionary Rental

Program offers units to households with maximum incomes at three (3) of these limits, also known as rental tiers 1 (50% AMI), 2 (80% AMI), and 3 (110% AMI). The limits for households participating in the Inclusionary Ownership Program are ownership tiers 1 (80% AMI), 2 (110% AMI) and 3 (140% AMI). While there are no ubiquitous definitions for an income category, we sometimes refer to these categories as low income (50% AMI), low-moderate income (51-80% AMI), moderate-middle income (81-110% AMI) and middle income (111-140% AMI).

At the end of Fiscal Year 2024, four hundred twenty-five (425) rental units and one hundred twenty-nine (129) homeownership units were in the Inclusionary inventory in projects that had received all residential certificates of occupancy. These units represent nearly 15% of Somerville's total affordable housing stock¹. The breakdown of that inventory is as follows:

Inclusionary Rental Inventory as of 07/01/2024:

Studio at 50% 31	1BR at 50% 88	2BR at 50% 60	3BR at 50% 12	4BR at 50% 1
Studio at 80% 32	1BR at 80% 79	2BR at 80% 62	3BR at 80% 15	4BR at 80% 0
Studio at 110% 13	1BR at 110% 22	2BR at 110% 6	3BR at 110% 4	4BR at 110% 0

Inclusionary Homeownership Inventory³ as of 07/01/2024:

Studio at 50% 0	1BR at 50% 0	2BR at 50% 1	3BR at 50% 1	4BR at 50% 0
Studio at 80% 5	1BR at 80% 15	2BR at 80% 40	3BR at 80% ² 20	4BR at 80% 0
Studio at 110% 4	1BR at 110% 17	2BR at 110% 19	3BR at 110% ² 6	4BR at 110% 1

FY 2024 Inclusionary Activities

One focus of Inclusionary staff through FY '24 was continued work on the Consolidated Rental Waitlist (CRW). The CRW is a single application system for the Inclusionary Rental Program that utilizes a revised tenant selection process, with an update to Somerville Preference tiers and entirely new "priority status" categories. The objective of these changes is to prevent further

¹ Accounting for affordable units in Somerville on the Subsidized Housing Inventory as of June 2023. (<https://www.mass.gov/info-details/subsidized-housing-inventory-shi>)

² There are several 3-bedroom units included in the homeownership inventory in this year's report that were unintentionally excluded from the FY '23 report.

³ Two (2) 50% AMI homeownership units were constructed under prior versions of the SZO. No 140% AMI units have been completed, yet, though there are several such units anticipated in the Inclusionary Housing Pipeline.

displacement and loss of housing in Somerville and expedite housing or re-housing Somerville residents that are most at-risk, including those experiencing homelessness and domestic violence victims. The CRW also eliminates the need for separate marketing efforts and lotteries to create individual, property-wide waitlists, streamlining the processes for households to apply and for staff performing outreach.

Incorporating feedback from recipients of an initial RFP (Request for Proposal) for the release of the Consolidated Rental Waitlist, Inclusionary staff pivoted and produced 2 additional RFP's – one for a database to maintain the CRW, and another for community engagement. Staff refined the database RFP in FY '24, which was released, and among a few respondents, Emphasys Software was selected as the vendor. Additionally, work began on an RFP for a community engagement consultant, who would support Inclusionary staff in outreach efforts shortly prior to the release of the CRW application.

Shortly prior to the beginning of FY '24, a newly created role of Intake Specialist was filled, having responsibilities in both the Inclusionary Housing Program and the Home Improvement Program. FY '24 marked the first full year that the Inclusionary Program team comprised of 2 dedicated program staff and 2 additional staff with split roles contributing to the Inclusionary Program.

Staff also continued work with Somerville's Office of Immigrant affairs, which includes translating flyers, notices and other communications for Inclusionary applicants with Limited English Proficiency⁴ (LEP). In FY '24, Inclusionary Staff provided live telephonic interpretation in several languages to households upon request.

In FY '24 one hundred twenty-seven (127) new Inclusionary units were marketed, with seven (7) units over five (5) projects being marketed by Housing Division staff. The remaining one hundred twenty (120) Inclusionary units comprised 4 projects which were marketed by third parties retained by the developers. Inclusionary staff also marketed two Inclusionary ownership resales on behalf of owners. Projects that were completed in FY '24⁵ contained one hundred thirteen (113) inclusionary rental units and three (3) inclusionary homeownership units. During FY '24, the Inclusionary Housing Pipeline⁶ decreased by eighty (80) incomplete units from two-hundred forty (240) units to one hundred sixty (160) units.

⁴ Defined as an applicant that indicated a need or preference for communication in a language other than English. This does not include households that indicated speaking English as well as another language.

⁵ For the purposes of this report, completed signifies that at least one Inclusionary rental unit in the project was leased or the sale of at least one Inclusionary homeownership in the project unit had closed.

⁶ For the purpose of this report, units in the IZ Pipeline constitutes projects for which there is a signed AHIP (Affordable Housing Implementation Plan) in place - one crucial step for Housing Division that developers must complete to get their construction permits

Policy Updates

The Inclusionary team collaborated with Housing's Compliance staff, legal staff and leadership to continue refining the CRW manual which covers policies and procedures. Several policies were enacted effectively in FY '24, which will continue to apply on release of the CRW. Among various policy updates, a few notable changes include:

1. Voucher Holder Tenants for 110% AMI Waitlist

- a. **Background:** Where there are no remaining income eligible households on a waitlist for a unit at 110% AMI in the Inclusionary Rental inventory, that waitlist is considered "exhausted", prompting re-marketing to create a new waitlist.
- b. **Policy Summary:** This policy allows voucher holders to apply to waitlists as part of re-marketing efforts for 110% AMI rental units. It also allows voucher holders to apply for tier 3, 110% AMI rental units at properties where only tier 3 units are present. Voucher holders may apply their voucher to a 110% AMI rental unit as long as their voucher is valid and covers the applicable rent.
- c. **Reasoning:** This policy allows additional housing opportunities for a protected class. It also provides a fair chance to apply for units in the program for which voucher holders were previously ineligible.

2. Students in Somerville Schools Preference

- a. **Background:** Previously, a household with Somerville Preference was defined as one or more members of the household being a current Somerville resident, or working 32 or more hours per week in Somerville. With the release of the CRW, there will be 2 tiers of Somerville Preference, with Somerville residents in tier 1, and those working 20 or more hours per week in Somerville in tier 2.
- b. **Policy Summary:** Households with at least one child in Somerville Public Schools or charter schools in Somerville are considered to have Somerville preference. Households meeting this definition are defined as having tier 1 Somerville Preference in the CRW manual.
- c. **Reasoning:** This policy provides households with a housing opportunity near their children's school system, and those that are recently displaced from Somerville with children in a local school system the possibility of returning to Somerville.

3. Early Lease Termination for Inclusionary Units

- a. **Background:** Where Inclusionary units are located in properties otherwise comprised of market rate housing, lease terms and property policies often mean that early termination of a lease incurs significant fees to the household.

- b. Policy Summary:** Households may request limiting an early termination fee to one month's rent or waiving the early termination fee entirely.
 - i. Scenarios where the fee should be limited include: households pursuing another kind of affordable housing, e.g. a housing voucher or affordable homeownership.
 - ii. Scenarios where the fee should be waived include: households whose income have decreased to the point of inability to make rent payments, households in need of additional accessibility features, households that need a different size unit, and other emergency situations.
- c. Reasoning:** These fees can present a substantial barrier to households that are looking to stabilize their housing, particularly where households need to break a lease to improve their stability, safety, or well-being.

Key Takeaways

In FY '24 the Inclusionary Housing Inventory was bolstered substantially, as some of the largest residential developments remaining in Somerville's Inclusionary pipeline were completed. While nine (9) projects were added to the pipeline, the largest project contained 50 (fifty) total units, with an obligation to provide 10 (ten) Inclusionary units; all other projects were of a smaller scale. As a result of large project completion and replacements in the pipeline being smaller projects, the overall number of Inclusionary units in ongoing development declined.

Also, in FY '24 staff focused on community access to Inclusionary Housing Program opportunities and refining program policy. The desired outcomes of those policies were improved equity and expanded housing opportunity for program participants. We also revisited prior planning efforts for the Consolidated Rental Waitlist and began to prepare in earnest for its upcoming release. This included the development of RFPs for necessary technical support from two consultants, with the release and award of contract for one, as well as revisions to the drafted manual that covers policy and procedure for the CRW.

Looking forward to Fiscal Year 25, our goals included finalizing the 2nd RFP for the CRW, community engagement for CRW and implementation of the CRW database. We also planned to streamline data tracking throughout the Inclusionary inventory and pipeline, improve and simplify the processes and guidelines for memorandums of understanding for Compliance at Inclusionary rental properties, and refine CRW procedures and policies for the launch of the Consolidated Rental Waitlist.